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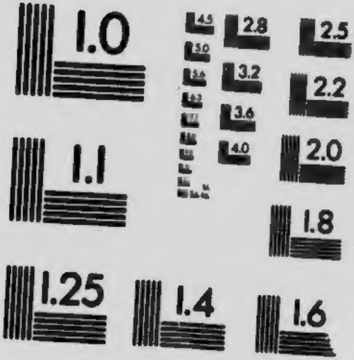

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Railroad Construction and National Prosperity: An Historic Parallel

by

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Railroad Construction and National Prosperity: An Historic Parallel.

BY ADAM SHORTT, C.M.G., F.R.S.C.

(Read May 27, 1914)

The exceptional prosperity and expansion of our Canadian Dominion during the past decade, have become matter of commonplace observation, the mainstay of postprandial orators and hard-pressed editors. Recently, however, the other side of this wave of prosperity has been attracting special attention. High prices, large profits and good wages must be paid by some one, and we have been hearing, with increasing insistence, from the people who pay, about the upward trend of the cost of living. Much of the discussion on both sides of this subject, whether in presenting explanations or advocating remedies, appears to assume that this period of prosperity, and especially the elevation attained by the cost of living, are quite new and unprecedented phenomena, specially connected in some way with our modern economic conditions.

As regards the distress and inconvenience associated with the high cost of living, many seem to consider the situation capable of effective remedy by legislative process. Laws, it is thought, might be passed for the summary suppression of the monopolists and other grasping conspirators who have contrived to levy exceptional rates upon their helpless fellow citizens. Still others who comforted themselves with theories of cause and effect which can be traced with mathematical accuracy, and with remedies which can be applied with mechanical precision, absolve all human agencies and attribute at once the joys of high profits and the sorrows of high prices to the overproduction of gold. The remedy, of course, is equally simple and universal, consisting simply in assigning by law to the standard dollar, or other gold coin, a few more grains of gold, when everything will automatically right itself.

It is not at present my purpose to dispute with these or other speculators as to causes and remedies for present conditions. I cite them simply to show how general, though varied, is the recognition of the central problem. In view, however, of the assumed uniqueness of our recent experiences and of the corresponding assumption that the remedies to be sought must be equally special and modern, perhaps even futurist in their application, it may be of some interest to

those who are curious about such matters to know that Canada has already passed through a very similar range of experiences during the decade from 1850 to 1860.

It is true that some of the most characteristic features of our modern economic and social life are found only in embryo sixty years ago, yet the parallel between the underlying features of the two periods is quite remarkable. This is especially true as regards the rapid absorption of foreign capital for the construction of extensive railroad lines, the consequent development of general prosperity, the stimulus given to the growth of towns and cities with the consequent speculation in real estate, and accompanied by a rapid rise of values in all lines of domestic produce, culminating in general complaint regarding the high cost of living. There was even the same volume and variety of explanations and remedies, none of which, however, had time to be applied before the intervention of financial stringency, followed by wide spread bankruptcy and collapse of values and the restoration of cheap living and hard times.

It is not necessary that I should recapitulate with any detail the familiar features of our recent period of prosperity. I shall, therefore, confine my attention mainly to a presentation of the corresponding facts connected with the period of prosperity during the fifties. In tracing the development of the previous period, striking parallels with present day conditions will be sufficiently obvious.

In 1849, Canada had reached one of those periods of exceptional depression, approaching despair in some quarters, which were characteristic of the 19th Century. In 1848 there had been one of those outbursts of racial bitterness and strife which had been for so long a heavy drag on the economic and political progress of Canada, in this case culminating in the burning of the Parliament Buildings at Montreal. At the same time the abolition of the Corn Laws in Britain had carried with it the removal, in 1849, of the British preference on Canadian Wheat and flour, including American wheat ground in Canada. General pessimism among the Canadian merchants and grain dealers in Eastern Canada had resulted in the famous "Annexation Manifesto." However, the abolition of the Corn Laws had soon proved immensely beneficial in Britain, and a new era of prosperity being inaugurated there, the reflex was felt in Canada, with the promise of even better markets for produce than had been enjoyed under an artificial preference at the expense of the food supplies of the British artisan. On the other hand, the new prosperity of the Mother Country developed an interest in Canadian affairs and furnished a liberal supply of capital for the financing of Canadian enterprises. The pessimistic forebodings of the commercial element in Canada

proving to be illfounded, an optimistic reaction set in, supported by good prices for Canadian produce and encouraging symptoms of commercial prosperity.

At this stage attention was directed to the fact that although the construction of canals and a general improvement of Canadian water had furnished an excellent means of transport for both Canadian and American produce during the summer months, yet traffic was practically suspended during the winter, while in the adjoining states it was maintained throughout the year by means of their railroads which had been steadily advancing for over a decade past.

Mainly through the enterprising activity of Mr. (afterwards, Sir) Francis Hincks, Canadian Minister of Finance, the first Canadian railroad policy was worked out. The object of this was to supply Canada with an adequate railway system, connected, on the one hand, with the Western American lines, and, on the other, furnishing a continuous connection with Atlantic ports open to navigation throughout the year. This first provincial policy was introduced through the medium of the Act of 1849, which contemplated assistance from the British Government for the frequently discussed project of an Intercolonial Railway, linking Canada with the Maritime Provinces, and furnishing through them communication with the Mother Country, over British territory, at all times in the year.

Previous to 1847 there was in Canada but one short railway line of fifteen miles, connecting La Prairie, opposite Montreal, with St. John on the Richelieu, and being part of the main highway between Montreal and New York. Before 1849 three other lines had been started, on the basis of purely private enterprise. But, prior to the introduction of the general government policy, there were less than fifty miles of completed railroad in the country.

The title of the Government measure of 1849 sufficiently indicates the nature of the new policy. Its object was "To provide for affording the guarantee of the province to the bonds of railway companies on certain conditions, and for rendering assistance in the construction of the Halifax and Quebec Railway." The government assistance indicated was a guarantee, at six per cent, of the bonds of railway companies, to the extent of one-half the cost of construction, for lines of seventy-five miles and upwards. Owing to difficulties and misunderstandings as between the British North American Provinces and with the Home Government, the second or interprovincial part of the Canadian policy was not realized until after Confederation. The optimism of the country with reference to the new railway projects which immediately sprang into existence to take advantage of the government assistance, was strikingly manifested in the faith of both

the governmer and the public in the ability of these early railroads not only to pay heavy interest on their bonds and a generous dividend on their capital stock, but to afford a substantial annual contribution towards a sinking fund to redeem their bonded indebtedness.

Owing to the very success which attended the offers of assistance on the part of the Government, it was found necessary to modify the offer of financial assistance and to confine it to a trunk line, at first from Quebec to Toronto, but ultimately extended from Rivière du Loup on the East to the St. Clair River on the West. This change was provided for in the new act of 1851, making provision for the establishment of a central trunk line. At the same time, since the Great Western Railway and the Northern Railway had already taken advantage of the Act of 1849, the promised assistance was continued in their cases.

In accordance with the new conditions of 1851, Mr. Hincks had arranged, during a visit to Britain, with the noted English railway contracting firm of Messrs. Peto, Brassey, Betts and Jackson, that their company should undertake to finance and construct the through trunk line. The province was to guarantee £3000, or $15,000, per mile on the cost of construction. On this basis the Grand Trunk Railway of Canada was chartered during the session of 1852-3. Immediately afterwards it provided for connection with a winter ocean port by leasing for 999 years the section of the Atlantic and St. Lawrence Railroad from the Canadian frontier to Portland. This was to be connected with the Trunk System from Quebec by a line from Island Pond to Richmond.

The prospectus of the Grand Trunk Railway was issued in April, 1853. From a financial standpoint it was undoubtedly a work of art. The Grand Trunk Railroad was presented as an undertaking of national importance, with the Canadian Provincial Treasury as its chief partner. A member of the Canadian Government, the Hon. John Ross, was elected President of the Company; and five other prominent members of the Government, including Mr. Hincks, were on the Canadian Board of Directors; while the heads of the two noted firms of Baring Brothers and Glyn Mills and Company, the financial agents of the Canadian Government, were prominent on the London Board of the Railway. The line was to be constructed on a basis of efficiency quite unknown in America, and on this ground American experience as to the cost of operation and maintenance was ignored. Anticipated profits were calculated on a basis of 11½ per cent on the capital stock. As a result of this carefully planned flotation, the stocks and bonds of the new railway went off quite readily for a time. Canada was thus

assured the expenditure within its borders of hitherto undreamed of millions of capital.

In the meantime the Government had authorized municipalities, both urban and rural, to take stock or bonds in such secondary railways as might receive charters from the Government and be designed to open up important sections of the country and serve as feeders for the Trunk System of railroads. In order to aid the municipalities in borrowing capital on the British market, the Consolidated Municipal Loan Fund was established under an act of 1852. Through this many additional millions of capital were brought to the country, becoming the basis for further stock issues and borrowings on the part of a number of subsidiary railroad companies.

It is not proposed to follow up the successes or failures of these various enterprises. Here we have simply to deal with the effect upon the economic condition of the country of an unprecedented volume of capital expended in Canada mainly during the five years from 1851 to 1856. During this period the Canadian Government alone launched upon the London market upwards of $45,500,000 in loans, of which about $15,000,000 was in aid of the Grand Trunk Railway. The Municipal Loan Fund was drawn upon during this period to the extent of about $12 000,000, while several municipalities effected extensive loans on their own account. Independently of the $15,000,000 and upwards furnished by the Provincial Government, the Grand Trunk Railway had raised in shares and bonds over $48,500,000 before 1860. In addition to this, the Victoria Bridge at Montreal cost the Company about $7,000,000. In a memorial of the Company, addressed to the Provincial Government in 1861, it is claimed that the Company had spent upwards of $75,000,000 in building and equipping the Grand Trunk Railway, including the Victoria Bridge.

As already mentioned, the Government before limiting its financial aid to the main line of the Grand Trunk Railway, had already pledged its assistance to the Great Western Railway and the Northern Railway. To the former it had contributed up to 1855 about $3,750,000, and to the latter over $2,300,000. Mr. A. T. Galt, the Minister of Finance, estimated in 1860 that upwards of $100,000,000 had been expended on railroads between 1849 and 1859.

Between 1852 and 1860, the Government spent over $11,500,000 on the canals. Notwithstanding an exceptional revenue obtained by the Government, during the years of special prosperity, the debt of the Province increased from $18,782,565 in 1850, to $[illegible]4,142,044 in 1859.

Space will not permit the enumeration of the many other lines of capital expenditure in Canada during the period in question. Ta-

king into consideration, however, that the population of Canada in 1851 amounted to 1,842,261, whereas in 1911 it amounted to 7,206,643; and considering the outside capital invested in the Country during the two periods under consideration, it is found that quite as much capital per head of population was introduced during the period from 1850 to 1860 as within the past ten years. This capital was expended in the earlier period within the existing provinces of Ontario and Quebec, chiefly, outside of Montreal and its district, in the former province.

What we have to consider in each case is the effect which the exceptional amounts of new capital, in proportion to the population, had upon the economic and social condition of the country in these two periods. First of all, we may briefly indicate the normal effect upon employment and prices to be expected from such a sudden and large influx of capital. This expenditure of capital, mainly in the first instance upon the railroads, naturally made great demands on labour, materials and instruments of construction. The last element would be partly supplied from abroad and partly furnished within the country. That supplied from abroad would correspondingly increase the imports, while that furnished within the country would, to some considerable extent, diminish exports and also stimulate employment for labour and other supplies and equipment. On the other hand, this expenditure and activity furnishes the chief initial stimulus for mercantile and manufacturing enterprise within the towns and cities, increasing, in like proportion, profits, salaries and wages. The increase of wages and rates of profit in turn attract the immigration of both employers and employed, but so long as the influx of capital more than keeps pace with the increase in immigration, the rates of wages and profits would continue to increase, and this was the general experience both sixty years ago and recently.

Naturally, one of the first and most obvious effects of the considerable increase in income and population is to augment the demand for the various means of life. The means of life consist partly of native products and partly of imports. The native products coming under the influence of increased cost of production, through increased wages and profits, naturally tend to rise in price more rapidly than imported goods not subject to these exceptional influences. A reference to the actual facts shows this to have occurred both in the fifties and recently. Much of the most serious increase in the cost of living was due to the rapid rise in the prices of domestic supplies, while the chief increase in the values of foreign imports resulted from the cost of distribution to the consumer after they had arrived in Canada. Domestic supplies such as bread, meat including poultry and fish, dairy produce,

eggs, fruit, vegetables, housing, fuel, recreation, municipal taxation and service, domestic and other, enormously increased in price during both periods; while foreign supplies in the shape of textiles, machinery and metallic goods and groceries such as sugar, tea, coffee, rice, etc., increased but slightly.

While, therefore, a great and sudden influx of capital brings at first a very welcome increase in wages and profits, the secondary effects on domestic supplies are not long in developing under increased demand. Thus increased income is soon met and neutralized by increased outlay. The note of joy at the opening of a new era of prosperity changes to a chorus of complaints towards its close. In these respects also there is an exact parallel between the present time and sixty years ago.

One of the most serious problems connected with such an extensive diffusion of wealth as that involved in the construction of great railroad systems, results in the stimulus given to the growth of cities and towns. In Canada in the fifties, the new railroads not only linked up for the first time and chief towns of the country, but also opened new districts in the rear of the frontier settlements, giving birth to new towns and villages, many of which indulged dreams of metropolitan futures. The effect then was just what it has been during the past decade. Real estate speculation, starting from a genuine need for civic expansion, but afterwards feeding on its own growth, resulted in ever extending subdivisions, incessant transfers of property and the visible growth of more or less mushroom fortunes. During a boom no one can be found who has lost money, but, during the subsequent reaction, real estate wrecks strew every civic shore.

In June 1854, a writer in the Toronto "Globe" dwelt at considerable length on the rapid increase in prices. "We hear little," he says, "at this moment throughout Canada save the talk of prices rising, real estate and rents going up, mechanics and laborers striking for more wages, provisions growing dearer day by day." It was during this period that Canada experienced her first labor strikes. The construction of the Grand Trunk Railway was practically suspended for a time owing to bitterly contested strikes on the part of the workmen. The Great Western and Northern Railways also suffered from the same cause.

Then as now, however, the building trades led the way in raising wages, with the natural sequence of higher rents and slum tenements. "Mechanics," continues the Globe, "employed in buildings, ask wages so much higher than it has been the custom to pay them that their employers are put to serious embarrassment and loss." This applied, of course, chiefly to those who had undertaken contracts without al-

lowing for increased wages. The argument of the laborer, however, is familiar enough to our ears. "Ask a workman in Toronto who thinks his wages ought to be $1.75 per day instead of $1.50 as formerly, why he makes the demand, and he will tell you that it is because provisions are dear—because the cost of maintaining his family is much greater than ever before." Beef which the year before was at 6½ to 8½ cents per pound, was then 10 to 14 cents; mutton which was 5 to 5½ cents, was then 6½ to 8½; potatoes, formerly 36½ to 46½ cents per bushel, were 90 to 97 cents; hay was $9.00 to $12.00 a ton, and then $18.00 to $22.00. In fact it is claimed that prices are in many cases as high in Toronto as in New York, to which formerly much Canadian product was sent. For some time before this, owing to higher prices in the United States, Canadian cattle had been shipped out of the country, but then in the face of a greatly increased demand, due to railroad construction and other enterprises, there was great scarcity. Within another year and a half we find the tide flowing in the opposite direction, Canada importing from the United States large quantities of food products.

Already there were appearing in the papers savage attacks upon the bakers and other purveyors of food, who, being nearest the consumer, were chiefly blamed for the increase in prices. In August 1854, a baker, replying to some of these attacks, points out that although wheat had lately fallen slightly in price owing to the incoming harvest, yet the price of flour had not fallen, the baker having still to pay $7.00 to 7.25. It is true, he admits, that certain grades of bread may be bought at 13½ to 14 cents, but the best bread cannot be sold under 15 cents. The baker, he says, has to meet high prices of labor, high rents and dear provisions.

The Globe, in the beginning of 1855, presenting a review of the year 1854, referred, of course, to the remarkable increase in the price of wheat owing to the outbreak of the Russian War. The Canadian farmers having enjoyed a good harvest were in a very prosperous condition. The large expenditures during the year in construction of railroads and in the expansion of towns and cities had also added to the prosperity of the Province. Laborers had flocked in and found immediate employment at high rates of wages, while every article for their support and for the construction of the railroads had commanded high prices. The only backset had been in the price of timber which owing to the outbreak of the War and the over-supply in British yards had fallen in value. This had caused some failure among the Canadian dealers. The close of the year had found some stringency in the money market which might perhaps act as a check upon the growing tendency to speculation in Canada. However, there

was no immediate indication of a slacking in the rate of progress, while the cost of living still increased. The Finance Minister was even understood to be considering a proposal for increasing the salaries of the Civil Service.

Throughout 1855 railroad construction went steadily forward aided by increasing subsidies from the Provincial Government and the municipalities. The influx of British capital was increased by municipal expenditure on public utilities, the investment of large sums on corporate and private account in the building of towns, and investments in real estate. Naturally prices continued to rise throughout the year, to the joy of those who received them and the indignation of those who had to pay them.

In another editorial of the Globe on September 5th, 1855, it is observed that the prices of provisions are excessively high compared with what they were a few years ago. The housewife recalls with a sigh the time when she used to buy butter at 6½ to 10 cents with the same price for eggs. Now she pays for these necessaries 23½ to 27 cents. The writer can understand why beef, pork and mutton might be double their former prices, also why flour should be $8.00 instead of $4.00, but he finds it difficult to explain why the minor articles on local markets should have risen to such heights. Chickens, for instance, are now 60 cents a pair whereas formerly they could be had for one-third of that. Butter and eggs have even gone to four times their former rates. Eggs are actually dearer in Toronto than in New York and butter quite as high. After canvassing the matter at some length it is concluded that the high prices are due, on the one hand, to the rapid growth of the towns and cities, and on the other to the exceptional prosperity of the farmers. Owing to the unusual prices for wheat, the farmers and their families have come to despise attention to minor products for local consumption. Farmers whose land is held at from $100 to $200 per acre will not descend to truck produce, however high the price. To meet the situation a better organized and extended system for procuring market supplies of food products in particular must be introduced.

The culmination of high prices in Canada was reached during the winter of 1855-56. Another article in the Globe in 1856 refers once more to the excessive prices of all kinds of market produce and attributes it again to the indifference of the farmers spoiled by the high prices for wheat. At the same time, it is quite obvious, from the general condition of the country, that the rapidly increasing demand of the cities and the unusual diversion of labor to occupations which are not immediately productive of any supplies to meet current needs, chiefly accounted for the situation. The produce of the country

was not less but greater than formerly, yet it had not been able to keep pace with the rapidly increasing demand. As the writer in the Globe points out, during the whole of the past winter the Province has been importing from the United States, cattle, beef, pork, bacon, butter, cheese, and even certain grains, especially oats. The scarcity of labor and the high rates of wages discourage the farmers from devoting sufficient attention to these supplies, especially when wheat could be produced on a much cheaper basis. Referring to the prices of certain articles it is said that eggs during the past season were selling in Toronto at 5 cents each or 60 cents a dozen. Turkeys and fowl were beyong the ordinary purchaser, while potatoes were selling at $1.25 a bushel and other vegetables at corresponding rates. Hay was from $25.00 to $30.00 a ton.

As the summer of 1856 developed, prices were considerably lowered. At the end of July flour was $6.00 to $7.00, and oats 50 to 55 cents a bushel; hay, $10.00 to $13.00 a ton; old potatoes, $1.00 a bushel, and new ones 60 to 70 cents a peck; butter, 27 cents; eggs, 20 to 23½ cents; chickens, 40 to 60 cents a pair; beef $6.50 to $7.00 per hundred pounds, bacon and hams $10.00 to $12.00 a hundred pounds. These prices, it may be observed, being wholesale rates, are quite up to modern standards, but indicate a falling off from the previous season.

An increasing stringency in the money market towards the close of 1856 gave warning of the severe crisis to follow in 1857. The first stages of the financial check were welcomed by the more conservative element in Canada then as now, and the reasons given were much the same in both cases. The country had been running too much to mere speculation, especially in land and city lots.

The real estate boom was a very marked feature of the early period of prosperity just as it has been of the later period. In both cases it affected at once a number of the older towns and cities, and very many entirely new town plans located on some of the branch lines of the railroads. Toronto, Hamilton and London were among the older centres which were in the grip of the land boom.

Taking Hamilton as a typical example, we find that after the first burst of prosperity, due to the building of the Great Western Railroad, it had subsidized four other minor railroad lines and had undertaken very heavy municipal expenditures on its own account, notably the construction of an expensive water system. In these ways the city rolled up a debt of over $2,500,000, nearly all of which had been borrowed directly from Britain without the aid of the Municipal Loan Fund. On the strength of its glowing prospects from railroad profits and the great stimulus given to every form of local

enterprise through the expenditure of a million and a half in the city itself, the influx of rural and immigrant population and the consequent demand for houses, stores and other structures, there was developed a vigorous movement in land speculation. Not only did lots in the city itself rapidly change hands, rising in price at every transfer, but the adjoining farms were seized upon and subdivided, the lots being rapidly disposed of. As land values continued to soar, the assessment roll expanded in volume and values. This meant incresing revenue and the ability to borrow more capital in the British market. In the meantime, as the Mayor afterwards confessed, the interest on previous borrowings was punctually paid out of the proceeds of the latest loans. When, however, the crisis of 1857-8 brought the boom to an end, revealing the fact that the prospective returns from the railroads would have to be deferred at least for some time, many peolpe were thrown out of employment and left the city. With the city shorn of its outlying subdivisions, its population sinking and values falling, the civic fathers found themselves in a very difficult position. If they levied sufficient taxes to meet their engagements they would further depress values and drive more people out of the city. On the other hand, if they did not levy sufficient taxes they could not pay the interest and sinking fund charges on their bonds. The Mayor claimed that they would have to raise 50 cents on the dollar of their reduced assessment in order to meet their obligations. As between the pressure at home and the pressure abroad, the civic authorities decided that the bond holders in England might wait, and this decision was conveyed to them in a circular from the Mayor. Naturally enough, this resulted in much indignation upon the part of the English capitalists. They vigorously protested, and finally took legal action, which was met, however, by passive resistance on the part of Hamilton. These and similar proceedings on the part of Can[illegible]ian municipalities, joined to the other financial collapses, had very [illegible]us effects upon Canadian credit. The financial editor of the Lond[illegible] Times thus voiced British sentiment, "If an honourable settlement is much longer delayed it is hoped that the authorities of Canada, whether general or local, have seen the last shilling they are likely for some years to come to receive from the credulity of our investing public." Eventually the Government had to come to the rescue of a score of bankrupt municipalities, though much to the detriment of its own credit.

As a sample of the booming of many new towns on lines of railway, constructed for the development of the northern country, we may take the case of Bell Ewart, a new civic proposition on the Northern Railroad at the southwestern end of Lake Simcoe. It was started in 1854 by an enterprising gentleman from Dundas, after whom the town was

named. A long description of it, as a typical example of many new and enterprising towns, is given in the Toronto Globe of August 17th, 1854. The place was as yet but a hole in the woods with two recently completed buildings, the Bell Ewart Hotel and the railway station. Through the trees, however, might be seen the frame work of another large building which was to be a saw mill, undertaken by an American firm who proposed to convert into lumber the unbroken forest in the neighborhood. There was a wharf also, and that was all of Bell Ewart at the time. Here, however, is the programme already laid out. "A week hence there will be another tavern—one in a village, like one newspaper, never thriving—in ten days there will be a blacksmith; in a fortnight a store, where everything from a needle to an anchor will be for sale; in a month a doctor; in half a year a clergyman and a church; in a twelvemonth a newspaper. Lots are for sale now at high prices. Land near the station is worth so much per foot. Village lots, and park lots, and squares are all laid out, and we have no doubt are selling freely. The timber is growing on them yet, but what of that? The mill is there to saw it, the railroad is there to carry off the deals, and there is an open market at high prices for all that can be made. In a year what a change there will be on Bell Ewart; in five years how much greater will be the alteration." This is quite as good a prospect as any of the propositions floated in the West during the last decade. The writer adds that there are prospects of still other towns in the neighborhood, "Every few miles there will be wharves and stores from which will be brought all the produce of the neighborhood and the country behind it—Almost every point has its village plan and subdivision of lots, with arrangements for wharves." It will be observed that even in those days the term "subdivision" was in active service.

As a matter of fact, Bell Ewart quite lived up to expectations for a few years, being an active shipping centre. But it was doomed to disappear when the timber was cut and the real estate boom was exhausted. For some years afterwards the place remained on the map as a station and a post office; but even these distinctions have disappeared years ago. The high priced corner lots at so much a foot and the attractive lots for suburban residences at very reasonable rates have all lapsed into peaceful countryside. Many other attractive real estate propositions and town subdivisions were the centres of active land speculation during the same period. Many of them still exist but few realized even a fraction of the hopes that were entertained for them. Even within the last decade land values in these towns and villages have seldom reached the prices of sixty years ago.

In 1857 the railroad mileage constructed and in operation amount-

ed to 1653, with 344 miles still under construction. This meant that within eight years Canada had constructed nearly two thousand miles of railway at a cost of nearly one hundred millions. Up to this time only the Great Western Railway, between Niagara Falls and Detroit, and the Champlain and St. Lawrence Railway, a short road of 44 miles, had paid any dividends out of earnings. It was now pretty fully realized that the profits, so confidently promised in the name of the Canadain Railroads, would not be forthcoming. It was doubtful even whether a number of them would be able to meet their bonded indebtedness. As the Globe stated in July 1857, in reviewing the railroad situation, "There was a time when the faith of Canada was held in high esteem both at home and abroad; but unless good heed is taken a very different estimate will soon attach to it." This prophesy was unfortunately destined to be amply fulfilled. Already the London Times and other British papers in their financial sections were beginning to print very disparaging reports regarding the Canadian situation.

After the crises of 1857-8 there was a slight recovery in the early sixties, but the burden of debt assumed from '50 to '56, the collapse in numerous real estate booms, and the virtual bankruptcies of quite a list of municipalities, had a very depressing effect upon the country preventing any real recovery. After 1863 the long deferred liquidation began in earnest, involving the collapse of the two great banks of Western Canada, the Bank of Upper Canada and the Commercial Bank, together with several smaller institutions. The Bank of Montreal also lost heavily on its western business. As the Government had found it necessary, through its implied partnership, to come to the rescue of the Grand Trunk Railway and of the municipalities, its credit correspondingly suffered. In 1866 the Government found itself unable to raise more than half of a moderate loan, even when offering 8 per cent interest. The financial agents in Britain frankly stated to the Finance Minister that the result was due to the disastrous effect on Canadian credit of the experiences of British investors. It required nearly two generations to remove that impression from the British financial mind. This was finaly accomplished, however, about fifteen years ago. Since then Canada has once more free access to the British capital market, with the result that we have recently experienced the first real period of national prosperity, of great railroad construction, city building, real estate speculation, high wages, high profits, high prices and excessive imports since the decade with which we have been dealing. Unfortunately we are also witnessing similar calls upon the Government to come to the rescue of stranded railroads, and extravagant provincial governments, in lieu of the muni-

cipal governments of earlier days. At the same time there are peculiar differences between our modern economic structure and that of the earlier period, which may tend to preserve the country from such a disastrous collapse as that which followed the earlier era of prosperity. The discussion of this, however, lies beyond the range of this paper.

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